

**REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE OF THE
BOARD OF DIRECTORS OF THE
COOK COUNTY HEALTH AND HOSPITALS SYSTEM**

DECEMBER 5, 2008

ATTENDANCE

Present: Chairman Luis Muñoz, MD, MPH and Directors Benn Greenspan, PhD, MPH, FACHE and Heather E. O'Donnell, JD, LLM (3)

Board Chairman Warren L. Batts (Ex-Officio)

Absent: None (0)

Also Present: Directors David A. Ansell, MD, MPH; Hon. Jerry Butler; David Carvalho; and Quin R. Golden

Matthew B. DeLeon – Office of the Secretary to the Board; Patrick T. Driscoll, Jr. – Deputy State's Attorney, Chief, Civil Actions Bureau, Office of the State's Attorney; Patrick J. Hagan - Lead Client Partner, Deloitte & Touche; Jeff McCutchan – Supervisor, Transactions and Health Law Division, Office of the State's Attorney; Hon. Anthony Peraica – Cook County Commissioner; Elizabeth Reidy – Deputy Chief, Civil Actions Bureau, Office of the State's Attorney; David R. Small – Interim Chief Executive Officer, Cook County Bureau of Health Services

Ladies and Gentlemen:

Your Audit and Compliance Committee of the Board of Directors of the Cook County Health and Hospitals System met pursuant to notice on Friday, December 5, 2008 at the hour of 7:30 A.M. at Stroger Hospital, 1901 W. Harrison Street, in the fifth floor conference room, in Chicago, Illinois.

Your Committee has considered the following items, and upon adoption of this report, the recommendations follow.

Roll Call

Matthew B. DeLeon, Secretary to the Board of Commissioners of Cook County, called the roll of members and it was determined that a quorum was present.

Acceptance of the Report of the Audit and Compliance Committee
for the meeting of November 17, 2008.

Director Greenspan, seconded by Director O'Donnell, moved to accept the report of the Audit and Compliance Committee for the meeting of November 17, 2008. THE MOTION CARRIED UNANIMOUSLY.

Presentation by Deloitte and Touche

Presentation on the processes and execution of a Performance Audit.

Patrick J. Hagan, Lead Client Partner at Deloitte & Touche, provided a presentation on the processes and execution of a performance audit. (See Attachment #1.)

Chairman Muñoz stated that, moving forward, the Audit and Compliance Committee is looking to audit certain contracts as a way of making sure and validating what exactly is going on with these contracts.

The Committee reviewed the presentation. Questions were asked with regard to the scope of performance reviews.

Further discussion took place relating to determining an overall policy on performance audits for contingency contracts. Board Chairman Batts stated that this type of audit is not uncommon; anytime a firm is working on a contingency fee, before cutting a check it would seem appropriate to verify that the numbers are correct.

Director Golden requested a list of all contingency contracts¹.

David R. Small, Interim Chief Executive Officer of the Cook County Health and Hospitals System, responded that he would provide a list to the Committee members.

Chairman Muñoz stated that these types of reports and activities will reside in the Audit and Compliance Committee, as well as Corporate Compliance.

Motion to recommend to the Board of Directors
to enter into and execute contract with Deloitte & Touche

For Performance Audit of the MedAssets contingency contract.

Contract Amount: Not to Exceed \$24,999.00

Contract Period: Not to Exceed Three (3) Months

Director Greenspan, seconded by Director O'Donnell, moved to recommend to the Board of Directors to enter into and execute the contract with Deloitte & Touche.

Director Carvalho inquired whether Deloitte & Touche could include in their review a report on the question of whether there is a duplication of payments to more than one vendor for the same efforts².

During the discussion of the proposed contract, questions arose with regard to the cost of the performance audit. Mr. Hagan stated that the full scope of the audit is unknown until they begin reviewing the documents and contract; the fee presently under consideration is for the Phase One initial assessment portion of the performance audit.

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In response to Director O'Donnell's inquiry with regard to the contract period, Mr. Hagan responded that the Phase One initial assessment would not take three months to complete; he expected the entire process to be completed within six months.

On the motion to enter into and execute the contract with Deloitte & Touche, a voice vote was taken and THE MOTION CARRIED UNANIMOUSLY.

Public Comments

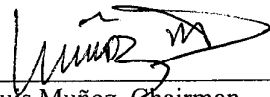
Chairman Muñoz asked the Secretary to call upon the registered public speakers.

1. Richard Boykin – Partner, Barnes & Thornberg

Adjournment

Director O'Donnell, seconded by Director Greenspan, moved to adjourn. THE MOTION CARRIED UNANIMOUSLY AND THE MEETING WAS ADJOURNED.

Respectfully submitted,
Audit and Compliance Committee of the
Board of Directors of the
Cook County Health
and Hospitals System



Dr. Luis Muñoz, Chairman

Attest:


Matthew B. DeLeon, Secretary

The following was requested or was indicated as a follow-up item at this meeting:

¹ Follow-up: Request for a list of all contingency contracts. On page 2. (David Small)

² Request: Deloitte & Touche to include in their review a report on the question of whether there is a duplication of payments to more than one vendor for the same efforts. On page 2.

Cook County Health and Hospitals System
Report of the Meeting of the Audit Committee
December 5, 2008

ATTACHMENT #1

Deloitte.

Cook County Health and Hospitals System

Contract Performance Audits - Introduction

December 5, 2008

Deloitte & Touche LLP

This report is intended solely for the information and use of management and the Audit Committee of Cook County and is not intended to be and should not be used by anyone other than these specified parties.

Agenda

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Performance Audits - Overview

- **Definition** - An objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, contract or activity
- **Objective** - To provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.
- **Standards** - A performance audit and auditor's procedures can be conducted in accordance with *Government Auditing Standards*, or AICPA standards for "agreed upon procedures" or consulting.
- **Scope** - Significantly different from a financial statement audit
- **Authority** - Cook County contract General Term, Part 3, section 12D
- **Best Practice** - Generally considered a good business practice.
- **Independence** - Deloitte's external audit independence would not be impaired by a performance audit

Performance Audits – General Steps

Plan

- Identify the criteria needed to evaluate matters subject to audit (the contract)
- Identify sources of audit evidence and determine the amount and type of evidence needed given audit risk and significance
- Assign sufficient staff and specialists with adequate collective professional competence and identify other resources needed to perform the audit
- Communicate to management and the Audit Committee

Develop Audit Work Scope

- Determine which significant contract provisions and assess the risk that violations of those provisions could occur
- Design and perform procedures to provide reasonable assurance of detecting instances
- Assess the Entity's controls to prevent or detect violations of contract provisions.

Gather Audit Evidence

- Assess whether internal control has been properly designed and implemented
- Obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions - for example, inquire of management and contractors, inspect internal reports, status memos, deliverables, change orders

Prepare Report

- State the objectives, scope, and methodology of the audit
- Compile the audit results, including findings, conclusions, and recommendations
- Summarize the views of responsible officials
- Consider confidential or sensitive information (i.e., health or employee information)

Performance Audit – Example Approach

Phase I - Initial Assessment

Perform the following:

- Conduct project kickoff meetings and confirm project objectives and scope
 - Identify the key Vendor personnel and Entity subject matter resources (SMRs)
 - Read the contract, related SOWs, and revenue assessment documentation
 - Hold initial meetings with Vendor and SMRs
 - Formalize project communication protocols (meetings, conference calls, reporting)
- Deliverables might include:
- Proposed scope and workplan for Phase II
 - Informal comments on observations to date

Phase II – Design and Execute Work Plan

Develop scope for the engagement utilizing the contract and supporting documents.

Execute the procedures outlined in our work plan, which could include:

- **Document review:** Obtain and review documents, reports, etc. to address key matters. Design tests to confirm the existence of items and assess their sufficiency.
- **Interviews:** Hold discussions with responsible personnel. Assess information.
- **Observation:** Physically observe an activity or control taking place. Assess whether the contract procedures and internal controls are understood, consistently applied, and effective.
- **Sampling applications:** Execute tests – by location or service type.
- **Independent reperformance or recalculation:** Perform tests to assess results.

Phase III – Evaluate Findings and Prepare Report

Compile all communications, test results and confirm our understanding of the issues. Draft a report consistent with AICPA or GAO standards. Review prior to final issuance.

Deloitte.

Member of
Deloitte Touche Tohmatsu

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